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DIV. OF OIL, GAS & MINING

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF UTAH, CENTRAL DIVISION**

In re:

KOREA TECHNOLOGY INDUSTRY
AMERICA, INC. et al.,

Debtors.

Bankruptcy Case No. 11-32259

Jointly Administered

Chapter 11

Honorable R. Kimball Mosier

[FILED ELECTRONICALLY]

**DEBTORS' MOTION FOR ORDER APPROVING (1) THE AUCTION OF THE
DEBTORS' ASSETS AND THE ASSUMPTION AND ASSIGNMENT OF CONTRACTS
AND LEASES TO THE WINNING BIDDER, (2) APPROVING PROCEDURES
RELATED TO THE AUCTION, AND (3) GRANTING RELATED RELIEF**

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Korea Technology Industry America, Inc. ("KTIA"), Uintah Basin Resources, LLC "UBR"), and Crown Asphalt Ridge, L.L.C. ("CAR") (together, the "Debtors") hereby submit this motion (the "Auction Motion") pursuant to section 1123(a)(5)(D) of title 11, United States Code (the "Bankruptcy Code"), to the confirmed First Amended Joint Plan of Reorganization of Debtors Korea Technology Industry America, Inc., Uintah Basin Resources, LLC, and Crown Asphalt Ridge, L.L.C. dated July 25, 2012, ECF 403 (the "Confirmed Plan") and, to the extent applicable, sections 105(a) and 363(b), (f), and (m), and 365 of the Bankruptcy Code and rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for the entry of: (a) an Order (i) approving an auction, to be held on Monday, February 25, 2013 (the "Auction") for the sale of the Assets (as defined below and in the Confirmed Plan, which was confirmed by the Court by Order entered October 23, 2012, ECF 441, 442 (the "Confirmation Order")), free and clear of all liens, claims, interests, and encumbrances (other than certain royalty interests and other encumbrances as described below) to the party or parties who submit the winning bid for the purchase of the Assets at the Auction (the "Purchaser"); (ii) approving procedures for the Auction of the Assets, including notice to be given; (iii) following the Auction, approving the sale of the Assets and the assumption and assignment of any executory contracts and unexpired leases requested by the Purchaser, and (iv) for related relief in carrying out the Auction and closing of the sale of the Assets. In support of this Auction Motion, the Debtors respectfully represent as follows:

I. JURISDICTION

1. This Court has jurisdiction over this Auction Motion under 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2)(A), (M), (N), and (O). Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The statutory bases for the relief requested herein are section 1123(a)(5)(D) and, to the extent applicable, sections 105(a) and 363(b), (f), and (m), and 365 of the Bankruptcy Code and rules 2002, 6004, 6006, and 9014 of the Bankruptcy Rules.

II. THE CONFIRMED PLAN AND THE AUCTION

3. The Confirmed Plan became effective on November 7, 2012. It provides for the private sale of the Assets by a date certain and, barring consummation of such a private sale by that deadline, an auction of the Assets. The date by which a Court-approved sale (the “Approved Sale”) to Rutter and Wilbanks Corporation (“R&W”) was to have closed, defined as the “Sale Deadline” in the Confirmed Plan was October 31, 2012.¹ The Approved Sale to R&W (the “R&W Sale”) did not close. No “Alternative Sale” (as defined in the Confirmed Plan) closed before the deadline for such a sale, which was December 27, 2012. As a result, the provisions of the Confirmed Plan requiring an auction of the Assets became effective.

4. This Auction Motion proposes to follow the procedures already approved for the Auction in the Confirmed Plan, with the exception of publication in the *Wall Street Journal* and an international trade journal. The Debtors also propose further procedures, consistent with the Auction procedures set forth in the Plan, to facilitate the Auction of the Assets.

¹ The original Sale Deadline for the sale to R&W was June 30, 2012. The Court extended the Closing Date to October 31, 2012 by Order entered July 12, 2012 (ECF 394). The Debtors filed but then withdrew before hearing a motion requesting a further extension of the Closing Deadline to November 30, 2012. ECF 434, 443.

III. BACKGROUND

5. Commencement of the Debtors' Cases. On August 22, 2011 (the "Petition Date"), the Debtors commenced their bankruptcy cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code. KTIA is the "Reorganized Debtor" under the Confirmed Plan. UBR and CAR continue in existence pending sale of the Assets and distributions under the Confirmed Plan. The Debtors' estate continues and the Debtors continue to operate their business pursuant to the Confirmed Plan and relevant provisions of the Bankruptcy Code.

6. Ownership of the Debtors. KTIA owns all of the shares of Utah Hydrocarbon, Inc., a Delaware corporation ("UHI"), which owns all of the membership interests in UBR, which in turn owns all of the membership interests in CAR. UHI has no creditors and did not file a chapter 11 petition.

7. The Debtors' Business. The business of the Debtors has been the development of tar sands reserves on approximately 760 acres of real property near Vernal, Utah. UBR owns the real property and leases that portion of the property which has been developed for mining and processing oil sands to CAR.

8. Prior Approved Sale. The Debtors earlier requested approval for a sale of the "Debtors' Assets"² to R&W and the Court approved that request, after a bidding process and

² The Confirmed Plan uses two defined terms, "Assets," which encompasses essentially all of the Debtors' assets, and "Debtors' Assets," which consisted of those assets of the Debtors which were to be purchased under the approved asset purchase agreement between the Debtors and R&W. Although both terms involve substantially all of the Debtors' assets, the term "Assets" is slightly broader than the term "Debtors' Assets." The Plan provides for the sale of the "Assets" – encompassing of the Assets in the Auction, with obvious exceptions, the most prominent of which are the proceeds from the sale of the Assets and any potential avoiding actions under the Bankruptcy Code (the Debtors do not believe there are any), which legally can only be assigned to a representative of the bankruptcy estate.

notice to all creditors. The R&W Sale was initially to have closed by June 30, 2012 (the “Original Closing Date”), but, because of delays in testing samples, obtaining government permits, and construction and commissioning, none of which were caused by the Debtors or R&W, the Debtors, with creditor support, moved for and obtained an extension of the Original Closing Date to October 31, 2012. The Approved Sale was for a sale price sufficient to pay all allowed claims against the Debtors in full as well as to provide a continuing royalty interest for the Reorganized Debtor.

9. Confirmed Plan Sale Provisions. On October 23, 2012, the Court entered the Confirmation Order, which provides, assuming the sale to R&W had closed, for the payment of creditors in full, with secured creditors to receive postpetition interest on their allowed claims. The Confirmed Plan also provides, in the event that the Approved Sale to R&W did not close by the Closing Date, that the Debtors could sell their Assets in an “Alternative Sale” to close before the end of December 2012, or, if such an Alternative Sale were not to close, the Debtors would sell their Assets in an Auction no later than 180 days after August 29, 2012. The Confirmed Plan provides that creditors may not receive full payment in the event the Assets are sold pursuant to an Alternative Sale or Auction, but claims are to be paid consistent with the priority of liens on the Assets and with priorities of claims under the Bankruptcy Code.

10. Prior Investments and Assets. Tens of millions of dollars have been invested in the development of the Debtors’ properties by the Debtors and their predecessors. UBR owns approximately 760 acres land in fee simple absolute, consisting of property generally referred to

as the "South A Tract," where mining facilities are located, and the "D Tract," and CAR holds the lease rights and associated mining property and owns the Processing Facility.³

11. The Debtors' Tar Sands Reserves. Based upon core drilling and reserve analysis of 480 acres of the 760 acres by Bechtel Engineering in 1981 and re-assessed by Sohio in 1983, approximately 60 million barrels of heavy oil (bitumen) are contained in "proven" surface mineable reserves. An operating mine with significant amounts of bitumen contained in exposed ore is located on South A Tract, which is the optimal starting point due to high oil saturation, low overburden stripping ratio, and excellent pay thickness of ore body.

12. Permits. Permits for the mining, air, and storm/groundwater are in good standing. When commercial operations commence, these permits may require updating. CAR's application for an updated groundwater discharge permit-by-rule is pending. Transfer of permits to a purchaser may be subject to agency approval and regulatory requirements. After multiple environmental audits, no adverse environmental issues are reported or known to exist.

13. Completion and Commissioning of the "Dry Froth Circuit. The Debtors have substantially completed the "dry froth circuit" of their tar sands processing facility (the "Processing Facility") and the initial steps of commissioning of the dry froth circuit through test production of dry froth. The Debtors financed the substantial completion of construction and the initial commissioning of this portion of the Processing Facility through a \$6.5 million "startup debtor in possession" loan (the "Startup DIP Financing Facility") from R&W. The Startup DIP Financing Facility was a key component to R&W's evaluation and proposed purchase of the

³ The lease between UBR as lessor and CAR as lessee on the South A Tract and D Tract is defined in the Confirmed Plan as the "UBR-CAR Lease." The same lease is referred to in the approved asset purchase agreement between the Debtors and R&W as the "Wembco Lease." Wembco was the former name of UBR. The UBR-CAR Lease and the Wembco Lease are the same lease.

Assets because, through completion of construction and commissioning of the dry froth circuit, the Debtors could prove that their Processing Facility and the process it employs work. The Processing Facility was “winterized” before the onset of winter 2012-2013. The Processing Facility utilizes the so-called Modified Hot Water Process developed for the Debtors’ properties to separate oil from sand. The product from the dry froth circuit is an advanced form of native asphalts used either in place of various traditional asphalt mixes in road construction or as an additive or modifier for specialty asphalt mixes. The Debtors produced “dry froth” in commercial quantities over a sustained period of time in September and October 2012 and the Processing Facility is substantially ready to be placed into full-time operation, with initial output estimated to be at least 600 barrels of froth per day. With the near completion of construction and initiation of commissioning the dry froth circuit at the Debtors’ Processing Facility, the Debtors have successfully demonstrated the commercial viability of this process. All proprietary test, engineering reports, and operational data of the Debtors will follow ownership of the project.

This most recent activity is the culmination of years of construction, development, and testing at the site at significant cost. In 1999, approximately \$23 million was expended to construct a solvent/surfactant 2,000 barrel per day facility to produce bitumen and recover 1,000 barrels of solvent. This process proved unsuccessful primarily due to severe emulsion issues created by the surfactants. This caused the operator to then test and confirm the commercial viability of the Modified Hot Water Process. Low oil prices at the time stalled the immediate refurbishing of the facility. Since 2008, approximately \$52 million of additional capital was expended to enhance the process, refurbish the entire Processing Facility to accommodate the Modified Hot Water Process,, reconfigure and expand existing infrastructure,

and re-construct the mine site, including \$6.5 million the Debtors have expended, mostly in 2012, in substantially completing the construction and commissioning of the dry froth circuit of the Processing Facility.

14. Operation Poised to Become First Viable Tar Sands Project. Because of the successful operation of the Debtors' Processing Facility, the Debtors' project for the recovery of marketable petroleum products from tar sands is on the verge of becoming the first viable commercial oil sand production venture in the United States.

15. Significant Interest in the Assets. Although attempts to consummate a sale of the Assets prior to bankruptcy proved unsuccessful, and although the R&W Sale did not close, the Debtors believe that there is significant interest in the purchase of the Assets and that, absent modification of the Plan, an Auction with a sale free and clear of liens is required by the Confirmed Plan.

16. Claims Against the Debtors. The Debtors estimate that, as of December 31, 2012, the total amount of claims against them are in the following estimated, approximate amounts (pursuant to the Confirmed Plan, secured claims accrue interest, unsecured claims do not accrue interest):

Secured claims:

Raven Mining Company, LLC ("Raven"), \$3,240,000, secured by a first lien on the South A Tract and the D Tract and improvements thereto;

Western Energy Partners, LLC, \$21,000,000 ("Western"), secured by a second lien on the D Tract, a second lien on that portion of South A Tract in section 32 (surface rights only),⁴ and either a second or third lien on the remainder of South A Tract and the Processing Facility, and a lien on certain other assets, including general intangibles;

⁴ At the time the Debtors granted a deed of trust in favor of Western on the portion of South A Tract in section 32, the Debtors understood that they owned only the surface rights on that real property. Since they have come to understand that they might also own the mineral rights underlying that real

Elgin Services Company, Inc. ("Elgin"), \$10,850,000, secured by either a second or third lien on South A Tract (other than the portion in section 32) and the Processing Facility;⁵

Other mechanic's lien claims not included in the Elgin claim (the "Other Mechanic's Lienholders"), \$5,000,000, secured by either a second or third lien on South A Tract (other than that portion in section 32) and the Processing Facility;

Utah County Treasurer for ad valorem real property taxes on the Debtors' real property, \$111,000.

R&W, Startup DIP Loan, \$570,000, secured by a first lien on tar sands extracted from the mining operation on the South A Tract;

R&W, Original DIP Loan, \$318,000 plus interest secured by a first lien on assets of the Debtors otherwise unencumbered and by a lien junior to other liens securing allowed secured claims on other assets of the Debtors;

Utah Division of Oil, Gas & Mining, \$309,000, secured by a first-priority security interest in a certificate of deposit posted by the Debtors to secure reclamation obligations;

Frontier Petroleum, LLC, successor to Gavilan Petroleum, LLC, \$712,000, secured by a judgment lien on certain Assets of the Debtors;

Administrative expense claims, \$1,600,000;

Priority claims, \$12,000;

Unsecured claims, \$2,800,000;

Subordinated unsecured claims held by R&W, \$5,950,000;

Other than R&W, no creditor holds a lien against all of the Assets (and R&W's liens are junior in priority other than on the extracted tar sands and otherwise unencumbered Assets). All other lien creditors hold liens in only a portion of the assets of the Debtors, although Raven, Western, Elgin, and the Other Mechanic's Lienholders all hold a security interest in significant portions of the Assets.

property. Elgin and the other Mechanic's Lien Holders do not assert an interest in the portion of South A Tract in section 32.

⁵ Removed from amounts due Elgin are amounts attributable to certain Other Mechanic's Lienholders who filed their own proofs of claim.

IV. THE AUCTION

A. Requested Action

17. By this Auction Motion, the Debtors seek authority pursuant to the Confirmed Plan to sell substantially all of their Assets, excluding only proceeds of sale, other Assets that the parties agree should not be auctioned, and, if any, claims or causes of action pursuant to Chapter 5 of the Bankruptcy Code (hereafter, and as further identified below, the "Assets"), pursuant to an Auction. The Confirmed Plan provides for the sale by Auction of all of the Assets.

18. The Assets, which are described in more detail in Exhibit A attached hereto, consist of real property held in fee simple by one Debtor, UBR, and leased to another Debtor, CAR; substantial improvements to some of the real property in the form of the commercially functioning Processing Facility; a stockpile of extracted oil sands ore; equipment; and full or partial equity ownership of certain entities; and licenses and permits, some or all of which may be assignable.

B. The Marketing Process

19. Since the Petition Date, the Debtors have focused their efforts on meeting with parties in interest, compliance with bankruptcy requirements, negotiating acceptable terms for the debtor in possession financing, negotiating with creditors, and continuing postpetition a marketing process for the sale of their Assets (as defined below) and business for the processing of tar sands and marketing products derived from tar sands (the "Business"). With R&W's failure to close by the Closing Date under the Approved Sale, the Debtors now proceed to sell the Assets pursuant to an Auction.

20. As part of this marketing effort, the Debtors, with the input of major creditors including Western and Elgin (as successor to Roberts & Schaefer) have conducted and continue

to conduct a process to identify potential buyers based on a variety of factors, including a potential buyer's perceived interest in the Debtors' Business and Assets, its familiarity with the Debtors' Business and its financial ability to consummate a transaction with the Debtors. The Debtors have also assembled in an electronic "data room" (the "Data Room") data and documents to facilitate the due diligence process and have prepared business presentations which have been utilized to provide for an organized and efficient transmission of a large amount of data related to the Assets and Business. R&W continues to seek an investment partner to enable it to complete a purchase of the Assets as contemplated in the original Approved Sale.

C. Sale Free and Clear of Liens

21. The sale of Assets pursuant to the Auction will be free and clear of liens, claims, interests, and encumbrances as authorized by the Confirmed Plan, the Bankruptcy Code and other applicable law. In the case of a sale for cash, liens will attach to the proceeds of the sale to the same extent, with the same validity, and in the same priority as they attached to individual Assets. The Assets may not be sold free and clear of certain interests, including certain royalty interests (the "Royalty Interests"), and certain other encumbrances which are property interests which run with the land. The Royalty Interests on the real property, none of which is in favor of any party related to the Debtors or parties associated with the Debtors, are identified and described on Exhibit B, which is attached hereto and incorporated herein. In addition, certain encumbrances including easements, rights-of-way, servitudes, permits, telephone lines, power lines, and other easements and rights-of-way on over, or in respect to the real property Assets will remain on the Assets, as will rights reserved to or vested in any municipality, governmental, statutory, or public authority to control or regulate the Assets in any manner, and all applicable laws, rules, and orders of governmental authorities. Should a bidder so choose, it may propose a

royalty interest in favor of the Reorganized Debtor, as was agreed to by R&W in the Approved Sale. Payment of creditors of the Debtors in full as provided in the Confirmed Plan would be required for such a royalty interest to be granted.

D. The Debtors Will Supplement this Auction Motion with a Proposed Stalking Horse Bidder if an Acceptable Offer Is Received

22. The Debtors have not yet concluded an agreement with an acceptable stalking horse bidder. They continue to negotiate with a number of parties who appear to be well-qualified to make such an offer. The Debtors reserve the right to supplement this Auction by adding a stalking horse offer.

E. Request for Surcharge of Collateral

23. If the proceeds from the sale of the Assets are insufficient to pay the reasonable, necessary costs and expenses to the Debtors' estates of preserving or disposing of the Assets, including professional fees and expenses and completion of the construction and commissioning of the Processing Facility, the Debtors reserve the right to seek recovery under section 506(c) of such costs and expenses from the property securing allowed secured claims to the extent that the Debtors have not waived such rights against any secured creditors.

F. Auction Procedures

24. Procedures Set Forth in Confirmed Plan. The Confirmed Plan sets forth a number of procedures for the Auction. These procedures have already been approved as part of the Confirmed Plan pursuant to the Confirmation Order. By this Auction Motion, the Debtors seek approval for the implementation of these procedures. The procedures set forth in the Confirmed Plan are as follows:

a) Notice.

1) Notice of the Auction is to be sent to

A) all creditors in the case;

B) all third parties from whom the Debtors received solicitations of interest, or offers, in the past two years;

C) R&W;

D) any other potential bidders to whom the Debtors choose to give notice.

2) Notice of the Auction is also be published at least three times, during the notice period, in each of

A) the *Wall Street Journal*;

B) a trade publication with an international circulation;

C) a local newspaper with a statewide circulation.

b) Form of Notice. The form of the notice is to include a general description of the assets and the Auction, explain how bidders can obtain further information about the Assets, contain the date, time, and place of the Auction sale, explain the pre-bidding qualifications, and explain the bidding requirements;

c) Non-Disclosure Agreement. All bidders will be required to sign a non-disclosure agreement before obtaining any specific, proprietary information about the assets, most of which is contained in the Data Room defined below (the Debtors have signed a number of non-disclosure agreements with various parties who have express serious interest in purchasing the Assets);

d) Executory Contracts and Unexpired Leases. All contracts that the Debtors cure and assume pursuant to the Plan will be assignable to and assumable by the successful bidder at the Auction;

e) Data Room. The Debtors are to establish (and have already established and are providing prospective purchasers with access to) a fully electronic “document room” (the “Data Room”) for physical and electronic access to records by potential bidders who agree to sign a non-disclosure agreement), and also would permit physical inspections, at prescribed times, of the Debtors’ real property assets and the Processing Facility;

f) Credit Bids. At the Auction, all holders of Allowed Secured Claims are to be permitted to credit bid their respective claims for the Assets that secure those claims up to the allowed amounts of their claims, including accrued interest and attorney’s fees, as established by the prior Settlement Agreement between the Debtors/Western/Elgin, by other approved settlement, or as otherwise allowed pursuant to the Bankruptcy Code or as determined by Court order.

g) Other Bids. Other than credit bids on Assets secured by a lien, all bids are to be for cash only, to be paid within three business days after the Auction, and with back-up bids to be accepted in the event the successful, high bidder fails to close;

h) Sold Where-Is, As-Is. The Assets are to be sold where-is, as-is, by appropriate assignments, bills of sale and special warranty deeds, but free and clear of all claims and interests except debts assumed by the bidder with the written consent of the respective creditors, and unexpired leases and executory contracts that the purchaser desired to acquire would be assumed and assigned to the purchaser.

25. Proposed Relief from Procedures from Confirmed Plan. The procedures set forth in the Confirmed Plan include publication of a notice published three times in the *Wall Street Journal* and in a trade journal with an international circulation. The Debtors seek relief from this requirement, for two reasons. First, given the nature of the Assets, the short time before the Auction, and the extensive marketing of the Assets that has already been completed, the Debtors believe that it would not be productive to require this publication. This requirement was included in the Plan when there was a possibility that the Debtors' Processing Facility would not be in "producing status" and when the time for notice of an auction could have been as much as six months. Second, the Debtors do not have sufficient funds at the present time to pay for such publication.

26. Proposed Additional Auction Provisions and Procedures. In addition to the procedures set forth in the Confirmed Plan, the Debtors propose the following:

a) Date and Time of the Auction. The Auction will be held on Monday, February 25, 2013, at 12:00 noon, Mountain Standard Time, at the offices of Durham Jones & Pinegar, 111 East Broadway, 9th Floor, Salt Lake City, Utah 84111.

b) Form of Sale Notice. The Debtors propose that the notice to be given be in the form attached hereto as Exhibit C (the "Sale Notice"), which describes the Assets, gives the date and time of the Auction, provides information regarding the approved form of non-disclosure statement, provides contact information for the Debtors and their counsel for information regarding gaining access to the Data Room and for physical inspection of the Assets, and describes the earnest money and financial capability requirements approved by the Court.

c) Disclaimer of Warranty. Any sale of the Assets shall be without representation or warranties of any kind, nature or description by the Debtors, their agents or their estates, except as expressly provided in the purchase agreement between the Debtors and the Purchaser. All of the Assets shall be transferred “as is,” “where is” and “with all faults.” **THE DEBTORS EXPRESSLY DISCLAIM ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND MAKE NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE NATURE, QUALITY, VALUE OR CONDITION OF ANY ASSET REGARDLESS OF ANY INFORMATION IN THE DATA ROOM, THIS AUCTION MOTION OR ANY NOTICE, OR ANY OTHER INFORMATION.**

d) Qualified Bidders. For a party to qualify to bid at the Auction, it must submit a cash earnest money deposit, certify that its bid is not subject to any financing or due diligence contingency, and provide satisfactory evidence of its ability to close a transaction within the allotted time period at the bid it submits on the Assets, all as set forth below. A party meeting these requirements shall be referred to as a “Qualified Bidder.” These requirements are as follows:

1) Earnest Money Deposit. Any party other than a credit-bidding secured creditor wishing to bid at the Auction, including a party in which R&W is participating (a “Cash Bidder”) shall be required to make an earnest money deposit in certified funds totalling no less than \$1,000,000.00 (the “Cash Bidder Deposit”) to be deposited with counsel for the Debtors by noon on the business day immediately preceding the Auction (in this case, by noon, Mountain Standard Time, on February 22, 2013) (the “Auction Participation Deadline”). A secured

creditor holding a security interest on less than all of the Assets (a "Credit Bidder") intending to credit bid on the Assets shall be required to make an earnest money deposit in certified funds of no less than \$50,000.00 (the "Credit Bidder Deposit") to be deposited with counsel for the Debtors no later than the Auction Participation Deadline. Together, Cash Bidders and Credit Bidders will be referred to as "Bidders." Cash Bidder Deposits and Credit Bidder Deposits will be referred to as the "Earnest Money Deposits"). Qualified Bidders will have their Earnest Money Deposits returned to them except, that if the Qualified Bidder who makes the Successful Bid (as defined below) fails to consummate the purchase of the Assets, and such failure to consummate the purchase is the result of a breach by the Successful Bidder. In that instance, the Qualified Bidder's Earnest Money deposit will be forfeited to the Debtors, and the Debtors specifically reserve the right to seek all available damages from the defaulting Qualified Bidder.

2) No Financing or Due Diligence Contingency. A Bidder shall submit to counsel for the Debtors, no later than the Auction Participation Deadline, a certified statement in writing indicating that any bid it makes is not subject to any financing or due diligence contingency.

3) Evidence of Ability to Close Purchase of the Assets. A Bidder shall also provide, no later than the Auction Participation Deadline, evidence satisfactory to the Debtors in their commercially reasonable discretion (in consultation with Western and Elgin (the "Consultation Parties") that the Bidder is willing, authorized, capable and qualified financially, legally, and otherwise, to unconditionally close its purchase of the Assets in the event that it participates in

the Auction. This shall include a certified statement that the Bidder's participation in the Auction has been approved by any and all governing bodies or investors (*e.g.*, board of directors or minority partners) and shall also state that it is made by the principals of the Bidder, and not by any person acting as agent for another, whether the principals are disclosed or undisclosed; however, a bidder may appoint a representative to act on its behalf in connection with the Bidder's participation in the Auction.

e) Transcription of the Auction. The proceedings at the Auction may be transcribed by a court reporter.

f) Creditor Attendance. Any creditors of the Debtors who wish to attend the Auction may do so but must give notice of their attendance to counsel to the Debtors in writing on or prior to the Auction Participation Deadline.

g) Confirmation of No Collusion. Each Bidder participating at the Auction must confirm that it has not engaged in and will not engage in any collusion with respect to the bids submitted (or not submitted) at the Auction, that there are no agreements among bidders or prospective bidders to control the sale price at the Auction, and that no representative of any bidder has knowingly and fraudulently given, offered, received, or attempted to obtain any money or property, remuneration, compensation, reward, advantage, or promise thereof for acting or forbearing to act with respect to the Auction that constitute a bankruptcy crime under 18 U.S.C. section 152(6). All bidders are notified that agreements among bidders or prospective bidders to control the sale price at the Auction are unlawful, strictly prohibited, and that any acts constituting any such agreements, or any acts constituting bankruptcy crimes, including knowingly and

fraudulently giving, offering, receiving, or attempting to obtain any money or property, remuneration, compensation, reward, advantage, or promise thereof for acting or forbearing to act with respect to the Auction, as provided in 18 U.S.C. section 152(6) will be reported by the Debtors.

h) **Bids to Remain Open and Irrevocable for a Certain Period After the Auction.** The Successful and Back-Up Bids (as defined below) must remain open and irrevocable until the earlier of the end of the second business day following the closing of the sale transaction.

i) **Bidding.** Bidding shall proceed as follows. The Debtors will conduct an auction of the Assets. Bids must be for all of the Assets. The initial bid must equal or exceed \$43,000,000.00 in consideration, subject to the additional provisions set forth below. Subsequent bids must exceed the prior bid by an increment of not less than \$10,000.00. Unless otherwise agreed to by the Debtors, in their discretion, all participating Qualified Bidders will be permitted reasonable time, to be determined by the Debtors, in which to respond to the previous bid at the Auction.

1) **Credit Bids.** Prospective Credit Bidders who are holders of Allowed Secured Claims will be allowed to credit bid their respective claims for the assets that secure those claims up to the allowed amounts of their claims, including accrued interest and attorney's fees, as established by any applicable Settlement Agreement or order of the Bankruptcy Court. A prospective Credit Bidder who holds a first lien may credit bid only on Assets subject to its valid lien. A prospective Credit Bidder who holds a second or other junior lien may also only credit bid on Assets subject to its valid lien, but only if the bid also

includes cash sufficient to satisfy in full all claims secured by prior liens or, upon written consent of holders of prior liens, assumption of such prior liens and claims. Credit Bidders must also include a cash portion in their Bids to meet the minimum initial bid requirement. Prospective Credit Bidders will not be allowed to submit credit bids if: (1) there exists a bona fide dispute as to the extent, or validity of the bidder's lien or claim proposed to be credit bid; (2) determination of any such bona fide dispute would extend the Auction beyond the time permitted by the Confirmed Plan; (3) the bidder or the proposed credit bid fails to follow the bidding procedures established by the Bankruptcy Court; or (4) the bidder has engaged in collusion or other unlawful acts in connection with the Auction. Credit Bidders may credit bid only as to Assets which are subject to their liens and will not be permitted to credit bid as to any portion of the Assets which is not subject to their liens, as to which non-credit bid consideration must be bid.

2) The R&W Encumbered Assets. The Assets include property that is unencumbered by liens other than the lien of R&W, including KTIA's ownership of 47.22% of KD Oil, Inc. ("KD Oil");⁶ KTIA's ownership of UBR, UBR's ownership of CAR; and potentially, ownership by UBR of the minerals underlying a portion of the South A Tract totalling approximately 160 acres located in section 32, township 4 south, Range 21 east, SLM (together, the "R&W

⁶ KTIA's ownership of a minority interest in KD Oil, Inc. likely is subject to an equity conversion of additional paid-in capital from the other owner of the stock, Hicel Ltd., for operating costs it has fronted during the Debtors' cases. Currently, the conversion would result in KTIA's equity interest in KD Oil up to 5 percentage points lower.

Encumbered Assets”). KD Oil is lessee under a potentially valuable lease with Utah State and Institutional Trust Lands Administration on property near P.R. Springs, Utah, which may be rich in oil sands. CAR holds valuable permits and other authorizations from state and federal agencies.

j) Successful Bid and Next Highest Bid. At the conclusion of the Auction, the Debtors shall determine, in their sole discretion after consultation with the Consultation Parties, which bid constitutes the highest or otherwise best offer for the purchase of the Assets (the “Successful Bid”) and the next highest or otherwise best offer, if any, after the Successful Bid (the “Next Highest Bid”).

k) Identification of Executory Contracts and Unexpired Leases to Be Assumed and Assigned. The Bidder making the Successful Bid (the “Successful Bidder”) and the Bidder making the Next Highest Bid (the “Next Highest Bidder”) will be required to identify the executory contracts and unexpired leases that that Bidder wishes to have assumed and assigned to it by the Debtors (the “Assigned Contracts and Leases”). A list of the executory contracts and unexpired leases of which the Debtors are aware is attached as Exhibit D. The Debtors do not believe there is any current default under any of the executory contracts or unexpired leases to which they are parties, although certain obligations under such agreements may be accruing. The Court’s Order approving the Auction and the sale contemplated thereby will constitute Court approval for such assumption and assignment and the Debtors will follow the terms of the Confirmed Plan regarding notice to the non-Debtor parties to such executory contracts and unexpired leases.

l) Assumption of Secured Debts with Consent of Creditor. The sale pursuant to the Auction shall be free and clear of all claims and interests (except the Royalty Interests and other encumbrances generally described above) except debts assumed by the Successful Bidder with the written consent of the respective creditor.

m) The Purchaser. Subject to Court approval following the Auction, the Successful Bidder shall purchase the Assets, free and clear of all liens, and have assigned to it the Assigned Contracts and Leases pursuant to the Confirmed Plan, this Auction Motion, and the Orders approving this Auction Motion. Following the hearing approving the sale of the Assets to the Successful Bidder, if any such Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the Next Highest Bid, as disclosed at the hearing, will be deemed to be the Successful Bid and the Debtors will be authorized, but not required, to consummate the sale with the Qualified Bidder submitting the Next Highest Bid without further order of the Court. In such case, the Debtors specifically reserve the right to seek all available damages from the defaulting Successful Bidder.

n) Good Faith Finding. The Purchaser must be found to have acted in good faith and be entitled to the protections of a good-faith purchaser under section 363(m) of the Bankruptcy Code.

o) Postponement or Continuance of the Action. The Auction may be postponed or continued either (i) if necessary to resolve lien priority disputes, or (ii) if ordered by the Court for cause.

G. Proposed Hearings on the Auction Motion

27. The Debtors propose that the Court hold a hearing on the proposed procedures for the Auction and to approve notice to be given of the Auction. The Debtors will submit an *ex parte* motion requesting reduction notice of this hearing on procedural and notice issues and hope to have it heard on short notice. The Debtors further propose that the Court hold a hearing as soon as possible after the Auction (proposed to be held on February 25, 2013) to approve the Successful Bid and the Next Highest Bid and to authorize the Debtors' execution and delivery of appropriate transactional documents in connection with the sale of the Assets and the assignment of the Assigned Contracts and Leases.

H. Transfer and Assignment Documents

28. The Assets will be transferred by the Debtors by appropriate transfer and conveyance documents, including an assignment, bill of sale, and conveyance; a deed; assignment of lease, and similar documents.

V. RELIEF REQUESTED

A. Summary of Relief Requested

29. Proposed Orders. By this Auction Motion, the Debtors are requesting the entry of two orders concerning sales of the Assets. First, the Debtors seek entry of an Order approving the procedures and notice as set forth above (the "Procedures and Notice Order") after an initial hearing to consider the Auction procedures and dates proposed by this Auction Motion. Second, the Debtors seek the entry of an Order following the Auction approving the sale of the Assets and the assumption and assignment of the Assigned Contracts and Leases.

30. Motions to Resolve Disputes, if Any. Further, any party in interest may submit any additional motions which may be appropriate or necessary in order to resolve disputes

regarding priority among secured creditors or other disputes regarding the Auction that are not resolved by the foregoing bidding procedures or the Procedures and Notice Order.

VI. BASIS FOR RELIEF

A. The Bidding Procedures Are Appropriate under the Circumstances

31. The Auction is being held pursuant to the Confirmed Plan.

32. The Debtors submit that the proposed procedures are reasonable and properly effectuate the Auction provided for in the Confirmed Plan. The proposed procedures and Auction for the sale of the Assets satisfy the good faith requirement for bankruptcy sales.

33. The Confirmed Plan provides for the sale of the Assets at Auction. Section 1123(b)(5)(D) authorizes the “sale [pursuant to a plan] of all or any part of the property of the estate, either subject to or free of any lien . . .” Section 363(k), which generally authorizes credit bidding by holders of secured claims on collateral subject to their security interest, is invoked in at least one statute governing sales under a confirmed plan. 28 U.S.C. § 1129(b)(2)(A)(ii).⁷ Credit bidding under a plan of reorganization was recently upheld by the United States Supreme Court in *RadLAX Gateway Hotel, LLC v. Amalgamated Bank*, ___ U.S. ___, 132 S.Ct. 2065, 2070-2071, 2073 (2012). As noted above, the Confirmed Plan permits all holders of Allowed Secured Claims to credit bid their respective claims for the Assets that secure those Claims up to the allowed amounts of their claims, including accrued interest and attorney’s fees, as established by the prior Settlement Agreement between the Debtors/Western/Elgin, by other approved settlement, or as otherwise allowed pursuant to the Bankruptcy Code or as determined by Court

⁷ This part of section 1129(b) involves treatment of secured claims in a “cramdown” situation in which the relevant secured creditor did not vote to accept the plan. Most of the secured classes under the Confirmed Plan voted to accept the Confirmed Plan and section 1129(b) is not applicable. However, as noted, the Confirmed Plan itself permits credit bidding by holders of allowed secured claims, so reference to sections 363(k) and 1129(b)(2)(A)(ii) is not necessary.

order. The Confirmed Plan also provides that Assets are sold free and clear of claims and interests except for certain encumbrances and except debts assumed by the Purchaser with the consent of the lien holder.

34. Thus, if there were a holder of a first lien on all of the Assets, which there is not, that secured creditor could credit bid amounts owed to it and, if it prevailed on its credit bid, could purchase all of the Assets with its credit bid. Because the Plan provides for the sale by Auction of substantially all of the Assets, however, and because no secured creditor holds a first lien on all of the Assets, any credit-bidding secured creditor will be required either to pay cash to satisfy liens prior to it on Assets, or to assume those obligations with the consent of the prior lienholder. In addition, the credit-bidding secured creditor must also bid and pay cash for any unencumbered Assets, if any, not excluded from the Auction.

35. As reflected in the Confirmed Plan's provisions regarding credit bidding, a secured creditor may only credit bid its claim on property being sold in which it holds a security interest. *See, Cohen v. KB Messanine Fund II (In re Submicron Systems Corp.)*, 432 F.3d 448, 460 (3d Cir. 2006). *Submicron Systems Corp.* also held that a secured creditor can credit bid the face amount of amounts owed to it, even if it is evident that the collateral securing it is worth less than that. *Id.*, 432 F.3d at 459-460. The Debtors believe, in the case of Raven, Western, and Elgin that this amount for each of these secured creditors is the settlement amount reached between each of these creditors and the Debtors (plus interest and costs as allowed by the settlement agreements).

36. A potential complication that could arise in this case is that there is a dispute over lien priority on the bulk of the South A Tract and the mine and Processing Facility developed on that site. The Debtors believe that all acknowledge that (1) Raven has a first priority lien on the

Debtors' real property assets, likely including the improvements to the mine and the Processing Facility; (2) Western's lien is next in priority on the D Tract; and (3) Western likely has a first priority lien on equipment and intangible Assets. The question, however, of whether Western, on the one hand, or Elgin and, likely, the Other Mechanic's Lienholders, on the other hand, holds the next priority on the South A Tract and the Processing Facility is disputed and is the subject of unresolved prepetition litigation, *Rocky Mountain Fabricating Properties, Inc. v. Crown Asphalt Ridge, L.L.C.*, Civil No. 100800584, 8th Jud. Dist., Uintah County. In the event of a dispute between parties asserting a prior lien over others on these or other Assets and absence of a cash bid high enough that secured claims would be paid in full or in an amount that all secured creditors would accept in payment on account of their secured claims, the Auction will be postponed pending resolution of such disputes.

37. A related issue that could arise involves the numerous mechanic's lien claimants in the Debtors' cases. The holders of mechanic's liens, including Elgin and the Other Mechanic's Lienholders, appear to share the same priority lien on the Assets under Utah law, going back to the earliest time when preliminary notices were filed by those asserting right to payment for goods or services. Utah Code Ann. § 38-1A-503. Most or all of the mechanic's lien claimants appear to have the same priority on Assets (those involving the portions of the South A Tract on which the mine and the Processing Facility improvements are located. Absent a negotiated resolution, the Debtors request that the Procedures and Notice Order provide holders of mechanic's of equal priority be required to bid together. This setting is analogous to an issue which has arisen a number of times in recent chapter 11 cases – an agent for a lenders' group credit bids even though some of the secured lenders in that group do not consent to such a credit bid or other agreement by the agent on behalf of the group. *See, In re Chrysler, LLC*,

405 B.R. 84 (Bankr. S.D.N.Y. 2009), *aff'd. Indiana State Police Pension Trust v. Chrysler, LLC* (*In re Chrysler, LLC*), 576 F.3d 108 (2d Cir. 2009); *In re GWLS Holdings, Inc.*, 2009 WL 453110 (Bankr. D. Del. Feb. 23, 2009). In these and other cases, the courts have generally authorized agents to act when a majority of their holders authorize them to do so, even when one or more of the holders of the secured debt object. Although the situations are analogous, not all of the holders of the mechanic's lien claims have contractual privity with each other and there is no governing bond document providing for an agent to bind creditors.

B. Sale of the Assets Free and Clear of Liens Is Proper

38. Pursuant to section 1123(a)(5)(C) of the Bankruptcy Code, the sale of the Assets free and clear of all liens and interests, other than Royalty Interests and certain other encumbrances which run with the land and cannot be sold free and clear of, with such liens and interests to attach to the proceeds of the sale of the Assets, subject to any rights and defenses of the Debtors and other parties in interest with respect thereto

39. As adequate protection for liens in, to or against the Assets that exists immediately prior to the closing of any sales, such liens will (unless assumed by the Purchaser) attach to the sale proceeds with the same validity, priority, force and effect as such liens had at such time, subject to the rights and defenses of the Debtors or any party in interest. Holders of liens will be adequately protected by the availability of the proceeds of the sale to satisfy their liens. Further, the Debtors request that the Bidding Procedures and Notice Order provide that, pending resolution of disputes, the sale proceeds be held in a separate segregated account at interest consistent with Bankruptcy Code section 345.

C. **The Assumption and Assignment of the Assigned Contracts and Leases Should Be Authorized**

40. The Confirmed Plan provides that the Confirmation Order constitutes an Order of the Court approving the assumption and assignment of executory contracts and unexpired leases identified prior to entry of the Confirmation Plan. The further Order of the Court requested by this Auction Motion will constitute approval of any other executory contracts and unexpired leases not previously assumed and assigned. The Debtors believe there are no executory contracts or unexpired leases that have not previously been assumed with anticipated assignment to the purchaser of the Assets. The unexpired leases previously assumed by the Debtors are the following:

- (a) **SITLA Lease.** That certain Industrial Special Use Lease Agreement No. 1363 between CAR and the State of Utah acting by and through the School and Institutional Trust Lands Administration pursuant to which CAR leased real property on which certain portions of its mining facilities are constructed. The Debtors are unaware of any cure amounts due under the SITLA Lease.
- (b) **UBR-CAR Lease.** That certain Oil, Gas and Minerals Lease dated May 1, 2008 between UBR, as lessor, and CAR, as lessee (the "**UBR-CAR Lease**") pursuant to which the mining property of UBR, as owner, was leased to CAR, as operator. The Debtors are aware of no cure amounts due under the UBR-CAR Lease.

41. If any other executory contracts or unexpired leases are identified by the purchaser, the Debtors will follow the procedures set forth in the Confirmed Plan to assume and assign these to the purchaser.

D. **Waiver of Automatic 14-Day Stay Under Rules 6004(h) and 6006(d)**

42. Pursuant to Bankruptcy Rule 6004(h), unless the Court orders otherwise, all orders authorizing the sale of property are automatically stayed for fourteen days after entry of the order. Similarly, under Bankruptcy Rule 6006(d), unless the Court orders otherwise, all

orders authorizing the assignment of contracts or unexpired leases are automatically stayed for fourteen days after entry of the order. The purpose of Bankruptcy Rules 6004(h) and 6006(d) is to provide sufficient time for an objecting party to request a stay pending appeal before the order can be implemented. See Advisory Committee Notes to Fed. R. Bankr. P. 6004(h); Advisory Committee Notes to Fed. R. Bankr. P. 6006(d).

43. The Debtors do not anticipate objections to the sale that will involve any need for the automatic 14-day stay under either Rule 6004(h) or Rule 6006(d). Under the circumstances of these cases, the Debtors must close this sale promptly after all closing conditions have been met or waived so that the purchaser can immediately begin the process of commissioning the facilities and making final determinations necessary to complete the process.

WHEREFORE, the Debtors respectfully request that this Court (i) grant this Auction Motion and the relief requested herein; (ii) enter Orders as proposed herein; and (iii) grant such other and further relief as it deems just and proper.

DATED this 10th day of January, 2013.

DURHAM JONES & PINEGAR, P.C.

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EXHIBIT A

EXHIBIT A TO AUCTION MOTION

PROPERTY AND ASSETS

South A Tract

Tract III¹

Township 4 South, Range 21 East, SLM

Section 30: W1/2SE1/4, SE1/4SE1/4; less that portion of the SE1/4SE1/4 of said Section 30, more particularly described as follows:

BEGINNING at a point which is on the East line of said Section 30, said point is North 02°27'22" West along Section line 333.65 feet from the Southeast corner of said Section 30, thence along East line of said Section North 02°27'22" West 50.00 feet; thence North 81°34'31" West 101.83 feet; thence South 02°27'22" East parallel with and 100.00 feet West of said East line for a distance of 68.73 feet; thence North 87°49'42" East 100.00 feet to the East line of said Section and point of beginning (containing 0.1363 acres, more or less).

TOGETHER with a 40' access right of way described as follows:

BEGINNING at a point which is on the East line of said Section 30, said point is North 02°27'22" West along Section line 383.65 feet from the Southeast corner of said Section 30, thence continuing along Section line North 02°27'22" West 40.73 feet; thence North 81°34'31" West 101.83 feet; thence South 02°27'22" East 40.73 feet to the Northwest corner of said property; thence along North line of said property South 81°34'31" East 101.83 feet to the point of beginning (containing 0.0952 acres, more or less).

Section 31: NE1/4NE1/4 (except coal),

Tract I

Section 31: W1/2NE1/4, SE1/4NE1/4

Tract IV

Section 32: SW1/4

¹ References to "Tract I," "Tract II," and "Tract III" correspond to references in title reports obtained by the Debtors and are used in Exhibit B to the Auction Motion to identify which parcels of land Royalty Interests attach to.

D Tract

Tract II

Township 4 South, Range 20 East, SLM

Section 23: S1/2NE1/4, N1/2SE1/4

Section 24: S1/2NW1/4, N1/2SW1/4

Processing Facility

The Processing Facility owned by the Debtors is primarily based on a Modified Hot Water Extraction Process. The Processing Facility consists of an open pit mine, material crushing and sizing equipment, conditioning/agitation tanks, flotation cells for secondary froth recovery, tailings dewatering and conveying equipment, water recycle and cleaning system, froth holding and handling tanks, froth water evaporation system for dry bitumen production, froth treatment circuit, atmospheric distillation for froth treatment solvent recovery, vacuum distillation for asphalt production, product tanks for processing and storage, and a loadout for asphalt, distillates, and dry froth.

The "modified hot water process" and related information, an exclusive license agreement covering the Asphalt Ridge Designated Tar Sands Area for Advanced Solvent Technology (Publication No. US-2009-0294332-A1, PCT Publication Number WO2009/147622), equipment, goods, and machinery located on the Property.

Mine Plans, Ore Reports, and Business Records

The Debtors and their predecessors have obtained various mining plans, ore reports based on core drilling, and the like, and have also maintained business records of their activities.

Resource Reports, Ore Data, Plant Designs and Business Records

The Debtors and their predecessors have obtained various resource reports, ore data based on core drilling, plant designs based on basic and detailed engineering activities and the like, and have also maintained business records of their activities.

Permits and Other Operational Authorizations

CAR is the holder of certain valuable permits (including mining, air, and stormwater/groundwater discharge permits), and other governmental

authorizations to conduct mining and processing operations. These will be assigned to the Purchaser to the extent assignable under applicable state and federal law. These include:

1. Licenses

- a. Business License. Crown Asphalt Ridge, LLC obtained its business license as an operating company from Uintah County, UT, which has been annually renewed. The most recent license was acquired as of December 10, 2012, effective from January 1, 2013. License NO. 2013167.
- b. Technology License. Korea Technology Industry America, Inc. and Crown Asphalt Ridge, LLC ("CAR") executed exclusive technology license agreement as of July 1, 2010. This license allows CAR to use U.S. Patent Application No. 12/476,729, 'System for Separating Bitumen From Oil Sands,' in the entire Asphalt Ridge Designated Tar Sand Area, Uintah County, Utah, as established by the Department of Interior, Bureau of Land Management.

2. Permits

- a. Air Permits
 - i. Administrative Amendment for Approval Order DAQE-AN0117160001-08 for Name and Contact Information Update, and Production and Equipment Corrections, DAQE-AN0117160001-08)
 - ii. Experimental Approval Order, DAQE-AN0117160004-12
 - iii. Fugitive Dust Control Plan
- b. Water Permits
 - i. Pilot Plant for Tar Sands Bitumen Extraction Asphalt Ridge Mine, Uintah County, Utah Ground Water Discharge Permit-By-Rule, effective from May27, 2008.
 - ii. Storm Water Pollution Prevention Plan, prepared by JBR Environmental Consultants, Inc, and effective from April 15, 2009.
 - iii. Utah Pollutant Discharge Elimination system (UPDES) Multi-Sector General Permit for Storm Water Discharges Associated with Industrial Activity, Coverage No. UTR000861, effective from February 10, 2010.
- c. Large Mining Operation Permit
 - i. Posting of Reclamation Surety and Final Approval, Crown Asphalt Corporation (Crown), Asphalt Tar Sands Mine, M/047/032, Uintah County, Utah, effective from November 10, 1998.
- d. Conditional Use Permit
 - i. Initial conditional use permit was approved on April 4, 2008 from Uintah County Commissioner.

- ii. Expanded operation scope was additionally approved on April 1, 2009 from the said authority.

Stockpile of Extracted Tar Sands Ore

The Debtors have a stockpile of tar sands ore extracted during 2013 near the mine site and Processing Facility on South A Tract. The Debtors estimate that this consists of approximately 5,000 tons of below-average-grade tar sands.

Equity Interests

KTIA owns a 47.22% stock ownership in KD Oil, Inc., which is the lessee under a lease on property near P.R. Springs in Utah owned by the School and Institutional Trust Lands Administration.

KTIA owns all of the shares of Utah Hydrocarbon, Inc., which in turn owns all of the membership interests in UBR (Uintah Basin Resources, LLC).

UBR owns all of the membership interests in CAR (Crown Asphalt Ridge, L.L.C.).

Mineral Rights to Section 32 Portion of South A Tract

The Debtors believe that they may own the mineral rights on property described as SW¼ of Section 32, Township 4 South, Range 21 East, SLM, which is listed as "Tract IV" above and is part of the "South A Tract."

EXHIBIT B

EXHIBIT B TO AUCTION MOTION

ROYALTY INTERESTS

Under the oil, gas, and minerals lease between Uintah Basin Resources, LLC (formerly known as Wembco, Inc.) and Crown Asphalt Ridge (defined in the Auction Motion as the UBR-CAR Lease), an advance/minimum royalty of \$150,000 is due annually. The UBR-CAR Lease provides for production royalties, based on type of mineral extracted. All advance/minimum royalties accrued and are applied as a credit to reduced up to but not to exceed fifty percent of the production royalties that may become due and payable to the lessor (UBR). The Perpetual Seltzer Royalty Interest and the Thirty-Year Non-Participating Royalty Interests (both as defined below) receive 15% and 29%, respectively, of these royalties.

Perpetual Seltzer Royalty Interest. A royalty interest was conveyed by Wembco, Inc. to William Seltzer pursuant to a mineral royalty conveyance dated August 12, 1986 (the "Perpetual Seltzer Royalty Interest") granting a mineral royalty interest on Tracts I, II, and III (as listed in the Property list in Exhibit A to the Auction Motion), as follows:

A mineral royalty interest which shall be fifteen percent (15%) of any land owner's royalty under all mineral leases now or hereafter granted by said grantor . . . The royalties shall apply to all minerals of every character, including oil, gas, asphalt, bitumen or any other hydrocarbon substance and metalliferous and precious metal minerals as well as nonmetalliferous minerals of all kinds which are or may be included in any lease and which may occur on the surface of said lands or at any depth under said lands. It is the intent of the parties hereto that the conveyance hereby made shall apply in perpetuity. All lessees of leases to which this royalty attaches are hereby instructed to pay said royalties . . . directly to the named grantee.

The mineral royalty conveyance related to the Perpetual Seltzer Royalty was recorded August 13, 1986, in Book 412, at Page 857, Uintah County Records. The legal effect of his conveyance creates what is termed a perpetual, non-participating royalty interest.

Thirty-Year Non-Participating Royalty Interests. A non-participating mineral royalty interest for a fixed term of thirty years (the "Thirty-Year Non-Participating Royalty Interests") were granted by Wembco, Inc. on August 12, 1986 to Lorin N. Pace, G. Randall Klimt, William B. Parsons, III, and Eric W. Bjorklund on Tracts I, II, and III (as listed in the Property list in Exhibit A to the Auction Motion) pursuant to a mineral royalty conveyance. The specific terms of this grant are as follows:

A mineral royalty interest for a term of thirty years (30) years which shall be twenty-nine percent (29%) of any land owner's

royalty under all mineral leases by said grantor. . . . Grantor expressly reserves and excepts the executive right to lease ... [the] lands. Grantor acknowledges that it owes a fiduciary duty to grantee in exercising it's executive right. In the event that grantor shall not lease all or any portion of such lands but shall exploit the same, the royalties payable hereunder shall be calculated as if grantor had entered into a lease as provided herein The above royalties shall apply to all minerals of every kind and character, including oil, gas, asphalt, bitumen or any other hydrocarbon substance and metalliferous and precious metal minerals as well as nonmetalliferous minerals of all kinds which are or may be included in any lease and which may occur on the surface of said lands or at any depth under said lands. It is the intent of the parties hereto that the thirty (30) year term shall expire at midnight on April 12, 2016. All lessees of leases to which this royalty attaches are hereby instructed to pay said royalties herein assigned and conveyed directly to the named grantee.

The mineral royalty conveyance related to the Thirty-Year Non-Participating Royalty Interests was recorded December 9, 1986, in Book 420, Page 185, Uintah County Records. The Thirty-Year Non-Participating Royalty Interest created by this conveyance burdens the land for a term of thirty years, irrespective of the issuance of a mineral lease, and equates to 29% of the lessor's leasehold royalty interest, expense free.

Production Payment Conveyance to Raven Mining Company, LLC. On August 15, 2006, Wcmbo, Inc. executed a conveyance of payment out of production (the "Raven Production Payment Conveyance"), purporting to grant to Nathan M. Shippee a payment out of production ("production payment") of 2% of net returns for all minerals mined, removed, and sold from the subject lands (Tracts I, II, III as listed in the list of Property in Exhibit A to the Auction Motion). The term "net returns" is specifically defined in Exhibit "A" to the Conveyance, but basically means the market value of the minerals less the extraction taxes and the costs of mining, transporting, and processing the minerals. Under Exhibit "B" to the Conveyance, the term minerals includes any and all asphalt, bitumen, maltha, tar sands, oil, gas and all other minerals including gold, silver, platinum, sands, and clays. The Raven Production Payment Conveyance was recorded September 12, 2006, in Book 993, at Page 73. Nathan M. Shippee assigned all his right, title, and interest in the Raven Production Payment Conveyance to Raven Mining Company, LLC on April 24, 2008. The assignment was recorded on May 5, 2008, in Book 1089, Page 88, Uintah County Records.

The Raven Production Payment Conveyance is secured by a deed of trust dated August 15, 2006, which was recorded September 12, 2006, in Book 79, at Page 81, Uintah County Records. If Raven Mining Company, LLC credit bids at the Auction or if another party satisfies amounts owing to Raven Mining Company, LLC under the Raven Production Payment Conveyance, this interest will be satisfied.

EXHIBIT C

EXHIBIT C TO AUCTION MOTION

FORM OF SALE NOTICE

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Attorneys for the Debtors

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF UTAH, CENTRAL DIVISION**

In re:	Bankruptcy Case No. 11-32259
KOREA TECHNOLOGY INDUSTRY AMERICA, INC. <u>et al.</u> ,	Jointly Administered
Debtors.	Chapter 11
	Honorable R. Kimball Mosier
	[FILED ELECTRONICALLY]

**NOTICE OF (1) AUCTION OF THE DEBTORS' ASSETS; (2) AUCTION
PROCEDURES; (3) SALE HEARING; AND (4) RELATED RELIEF AND DATES**

**TO ALL CREDITORS, POTENTIAL BIDDERS, AND OTHER PARTIES IN INTEREST
PLEASE TAKE NOTICE:**

1. Auction Motion. On January 10, 2013, Korea Technology Industry America, Inc. ("KTIA"), Uintah Basin Resources, LLC ("UBR"), and Crown Asphalt Ridge, L.L.C. ("CAR") (together, the "Debtors") filed their motion (the "Auction Motion") with the United States Bankruptcy Court for the District of Utah (the "Bankruptcy Court") for the entry of: (a) an order that (i) approves the auction ("Auction") of substantially all of the assets of the Debtors (the "Assets"), which are described in Exhibit 1 hereto and the assumption and assignment of certain

executory contracts and unexpired leases (a list of the Debtors' executory contracts and unexpired leases is attached hereto as Exhibit 2) to the winning bidder; (ii) approves procedures related to the Auction, including the form and manner of notice of the Auction; (iii) approves the form and manner of notice of the assumption and assignment, including cure amounts, of executory contracts and unexpired leases; (iv) establishes the date for the Auction; (iv) establishes the date for hearing (the "Sale Hearing") to confirm the sale of the Assets and the assignment of assumed contracts and leases; and (v) grants related relief; and (b) an order that (i) approves the sale of the Assets free and clear of all liens, claims, interests, and encumbrances (other than existing third-party royalty interests on the Debtors' real property which are described in Exhibit 3 as well as certain other encumbrances including easements, rights-of-way, servitudes, and the like, as well as rights reserved to or vested in governmental bodies to control or regulate the Assets in any manner) to the successful bidder (the "Purchaser") at the Auction; (ii) authorizes the Debtors to assume and assign assigned contracts and leases to the Purchaser; and (iii) grants related relief.

2. The Auction Procedures and Notice Order. Following a hearing on proposed Auction procedures and notice requested by the Auction Motion held on _____, 2013, the Bankruptcy Court entered an Order (the "Auction Procedures and Notice Order").

3. Access to "Data Room" Subject to Confidentiality and Contact Information. Any party interested in bidding on the Assets at the Auction may obtain access to a fully electronic "document room" (the "Data Room") for physical and electronic access to records subject to execution of a non-disclosure agreement the form of which will be provided immediately upon request), and may also schedule physical inspections, at prescribed times, of the Debtors' real property assets and the their tar sands processing facility. Copies of the proposed non-disclosure agreement may be obtained from the undersigned counsel for the Debtors. Information regarding access to the Data Room and for physical inspections of the Debtors' real property assets and improvements may be obtained from Soung Joon Kim, Chief Operating Officer of the Debtors, at soungjoonkim@gmail.com.

4. Auction and Deadline to Qualify to Participate in the Auction. Pursuant to the terms of the Auction Procedures and Notice Order, the Auction shall take place on _____, 2013, at 12:00 noon (prevailing Mountain Time) at the offices of Durham Jones & Pinegar, 111 East Broadway #900, Salt Lake City, Utah 84111. Only parties that have met the requirements to be a "Qualified Bidder" at the Auction may participate in the Auction. The requirements to be a Qualified Bidder are as follows: (a) deposit by no later than 12:00 noon (prevailing Mountain Time) on _____, 2013 (the "Auction Participation Deadline") of the required earnest money (\$1,000,000 for cash bidders, including a bidder in which Rutter and Wilbanks Corporation is participating, and \$50,000 for secured creditors who wish to credit bid); and (b) have provided satisfactory evidence of ability to close a transaction within the time allotted for closing the sale, which is three days following the Auction. Bids made at the Auction may not be subject to due diligence or financing contingencies. THE SALE SHALL BE SUBJECT TO THE APPROVAL OF THE BANKRUPTCY COURT.

5. Bidding. Bidding at the Auction will begin at a bid no lower than \$_____ and bidding increments will be no lower than \$10,000.00. Unless otherwise agreed to by the Debtors, in their discretion, all participating Qualified Bidders will be permitted reasonable time, to be determined by the Debtors, in which to respond to the previous bid at the Auction. The proceedings at the Auction will be transcribed by a court reporter.

6. Sale Hearing. The Sale Hearing to consider approval of the sale of the Assets to the Successful Bidder (as defined in the Auction Motion) free and clear of all liens, claims, encumbrances and interests is currently scheduled to be held before the Honorable R. Kimball Mosier, United States Bankruptcy Judge, 350 South Main Street, Third Floor, Courtroom No. 369, Salt Lake City, Utah 84101 on _____, 2013 at _____.m. (prevailing Mountain Time), or at such other time thereafter as counsel may be heard. The Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing.

7. Objections and Objection Deadline. Objections, if any, to the Auction Motion and the Auction must: (a) be in writing; (b) comply with the Bankruptcy Rules and the Local Bankruptcy Rules; (c) be filed with the Clerk of the Bankruptcy Court for the District of Utah, Third Floor, 350 South Main Street, Salt Lake City, Utah 84101, on or before _____, 2013, at 4:30 p.m. (prevailing Mountain Time), or such later date and time as the Debtors may agree and (d) be served so as to be received no later than 4:30 p.m. (prevailing Mountain Time) on the same day, upon the following:

(i) counsel for the Debtors: Steven J. McCardell and Kenneth L. Cannon II, Durham Jones & Pinegar, 111 E. Broadway, 9th Floor, Salt Lake City, Utah 84111, Telephone: (801) 415.3000, Facsimile: (801) 415.3500, email: smccardell@djplaw.com kcannon@djplaw.com;

(ii) counsel for the United States Trustee: Laurie Cayton, Esq., Office of the United States Trustee, Ken Garff Bldg., 405 South Main Street, Suite 300, Salt Lake City, UT 84111, Telephone: (801) 524.3031, Facsimile: (801) 524.5628, email laurie.cayton@usdoj.gov; and

(iii) counsel for certain secured parties as follows: (a) counsel for Raven Mining Company: Joseph M.R. Covey, Parr Brown Gee and Loveless, 185 South State Street, Suite 800, Salt Lake City, Utah 84111, Telephone: (801) 532.7840, Facsimile: (801) 532-7750, email jcovey@parrbrown.com; (b) counsel for Western Energy Partners, LLC and Tar Sands Holdings, LLC, Robert S. Prince, Kirton & McConkie, 1800 Eagle Gate Tower, 60 East South Temple, Salt Lake City, Utah 84111, Telephone: (801) 328-3600, Facsimile: (801) 321-4893, email rprince@kmclaw.com; and David E. Leta, Snell & Wilmer, 15 West South Temple, # 1200, Salt Lake City, Utah 84101, Telephone: (801) 257-1900, Facsimile: (801) 257-1800, email dleta@swlaw.com; (c) counsel for Elgin Services Company, Inc., and Tar Sands Holdings, LLC, Darwin H. Bingham, Scalley Reading Bates Hansen & Rasmussen, P.C., 15 West South Temple, Suite 600,

Salt Lake City, Utah 84101, Telephone: (801) 531-7870, Facsimile: (801) 326-4669,
email dbingham@scalleyreading.net.

8. Reference to and Copies of Sale Documents and Dates Set forth in this Notice.
This Notice of Auction and Sale Hearing is subject to the fuller terms and conditions of the Auction Motion and the Auction Procedures and Notice Order, which shall control in the event of any conflict, and the Debtors encourage parties in interest to review such documents in their entirety. Copies of the Auction Motion and the Auction Procedures and Notice Order may be inspected in the offices of the Clerk of the Bankruptcy Court during normal business hours or downloaded from the Bankruptcy Court's web site at www.utb.uscourts.gov (the "Electronic Court Docket") Please note that prior registration with the PACER service center and payment of a fee may be required to access such documents. Parties in interest may sign up for a PACER account by visiting the PACER website at <http://pacer.psc.uscourts.gov> or by calling (800) 676-6856. Requests for copies of the Motion and further information regarding the foregoing may also be made to the undersigned counsel.

DATES SET FORTH IN THIS NOTICE ARE SUBJECT TO CHANGE BY ORDER OF THE BANKRUPTCY COURT AND FURTHER NOTICE OF SUCH CHANGES MAY NOT BE PROVIDED EXCEPT THROUGH ANNOUNCEMENTS IN OPEN COURT AND/OR THE FILING OF NOTICES. PARTIES IN INTEREST ARE ENCOURAGED TO MONITOR THE ELECTRONIC COURT DOCKET FOR FURTHER UPDATES.

IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT CERTAIN OF THE RELIEF REQUESTED IN THE SALE MOTION WITHOUT FURTHER NOTICE OR HEARING.

DATED this ____ day of _____, 2013.

DURHAM JONES & PINEGAR, P.C.

By: _____
Steven J. McCardell (2144)
Kenneth L. Cannon II (3705)
DURHAM JONES & PINEGAR, P.C.
111 East Broadway, Suite 900
P.O. Box 4050
Salt Lake City, Utah 84110-4050
Telephone: (801) 415-3000
Facsimile: (801) 415-3500

Attorneys for the Debtors

EXHIBIT 1
TO FORM OF SALE NOTICE

EXHIBIT 1 TO FORM OF SALE NOTICE

PROPERTY AND ASSETS

South A Tract

Tract III¹

Township 4 South, Range 21 East, SLM

Section 30: W1/2SE1/4, SE1/4SE1/4; less that portion of the SE1/4SE1/4 of said Section 30, more particularly described as follows:

BEGINNING at a point which is on the East line of said Section 30, said point is North 02°27'22" West along Section line 333.65 feet from the Southeast corner of said Section 30, thence along East line of said Section North 02°27'22" West 50.00 feet; thence North 81°34'31" West 101.83 feet; thence South 02°27'22" East parallel with and 100.00 feet West of said East line for a distance of 68.73 feet; thence North 87°49'42" East 100.00 feet to the East line of said Section and point of beginning (containing 0.1363 acres, more or less).

TOGETHER with a 40' access right of way described as follows:

BEGINNING at a point which is on the East line of said Section 30, said point is North 02°27'22" West along Section line 383.65 feet from the Southeast corner of said Section 30, thence continuing along Section line North 02°27'22" West 40.73 feet; thence North 81°34'31" West 101.83 feet; thence South 02°27'22" East 40.73 feet to the Northwest corner of said property; thence along North line of said property South 81°34'31" East 101.83 feet to the point of beginning (containing 0.0952 acres, more or less).

Section 31: NE1/4NE1/4 (except coal),

Tract I

Section 31: W1/2NE1/4, SE1/4NE1/4

Tract IV

Section 32: SW1/4

¹ References to "Tract I," "Tract II," and "Tract III" correspond to references in title reports obtained by the Debtors and are used in Exhibit 2 to the Sale Notice to identify which parcels of land Royalty Interests attach to.

D Tract

Tract II

Township 4 South, Range 20 East, SLM

Section 23: S1/2NE1/4, N1/2SE1/4

Section 24: S1/2NW1/4, N1/2SW1/4

Processing Facility

The Processing Facility owned by the Debtors is primarily based on a Modified Hot Water Extraction Process. The Processing Facility consists of an open pit mine, material crushing and sizing equipment, conditioning/agitation tanks, flotation cells for secondary froth recovery, tailings dewatering and conveying equipment, water recycle and cleaning system, froth holding and handling tanks, froth water evaporation system for dry bitumen production, froth treatment circuit, atmospheric distillation for froth treatment solvent recovery, vacuum distillation for asphalt production, product tanks for processing and storage, and a loadout for asphalt, distillates, and dry froth.

The “modified hot water process” and related information, an exclusive license agreement covering the Asphalt Ridge Designated Tar Sands Area for Advanced Solvent Technology (Publication No. US-2009-0294332-A1, PCT Publication Number WO2009/147622), equipment, goods, and machinery located on the Property.

Mine Plans, Ore Reports, and Business Records

The Debtors and their predecessors have obtained various mining plans, ore reports based on core drilling, and the like, and have also maintained business records of their activities.

Resource Reports, Ore Data, Plant Designs and Business Records

The Debtors and their predecessors have obtained various resource reports, ore data based on core drilling, plant designs based on basic and detailed engineering activities and the like, and have also maintained business records of their activities.

Permits and Other Operational Authorizations

CAR is the holder of certain valuable permits (including mining, air, and stormwater/groundwater discharge permits), and other governmental

authorizations to conduct mining and processing operations. These will be assigned to the Purchaser to the extent assignable under applicable state and federal law. These include:

1. Licenses

- a. Business License. Crown Asphalt Ridge, LLC obtained its business license as an operating company from Uintah County, UT, which has been annually renewed. The most recent license was acquired as of December 10, 2012, effective from January 1, 2013. License NO. 2013167.
- b. Technology License. Korea Technology Industry America, Inc. and Crown Asphalt Ridge, LLC ("CAR") executed exclusive technology license agreement as of July 1, 2010. This license allows CAR to use U.S. Patent Application No. 12/476,729, 'System for Separating Bitumen From Oil Sands,' in the entire Asphalt Ridge Designated Tar Sand Area, Uintah County, Utah, as established by the Department of Interior, Bureau of Land Management.

2. Permits

- a. Air Permits
 - i. Administrative Amendment for Approval Order DAQE-AN0117160001-08 for Name and Contact Information Update, and Production and Equipment Corrections, DAQE-AN0117160001-08)
 - ii. Experimental Approval Order, DAQE-AN0117160004-12
 - iii. Fugitive Dust Control Plan
- b. Water Permits
 - i. Pilot Plant for Tar Sands Bitumen Extraction Asphalt Ridge Mine, Uintah County, Utah Ground Water Discharge Permit-By-Rule, effective from May 27, 2008.
 - ii. Storm Water Pollution Prevention Plan, prepared by JBR Environmental Consultants, Inc, and effective from April 15, 2009.
 - iii. Utah Pollutant Discharge Elimination system (UPDES) Multi-Sector General Permit for Storm Water Discharges Associated with Industrial Activity, Coverage No. UTR000861, effective from February 10, 2010.
- c. Large Mining Operation Permit
 - i. Posting of Reclamation Surety and Final Approval, Crown Asphalt Corporation (Crown), Asphalt Tar Sands Mine, M/047/032, Uintah County, Utah, effective from November 10, 1998.
- d. Conditional Use Permit
 - i. Initial conditional use permit was approved on April 4, 2008 from Uintah County Commissioner.

- ii. Expanded operation scope was additionally approved on April 1, 2009 from the said authority.

Stockpile of Extracted Tar Sands Ore

The Debtors have a stockpile of tar sands ore extracted during 2013 near the mine site and Processing Facility on South A Tract. The Debtors estimate that this consists of approximately 5,000 tons of below-average-grade tar sands.

Equity Interests

KTIA owns a 47.22% stock ownership in KD Oil, Inc., which is the lessee under a lease on property near P.R. Springs in Utah owned by the School and Institutional Trust Lands Administration.

KTIA owns all of the shares of Utah Hydrocarbon, Inc., which in turn owns all of the membership interests in UBR (Uintah Basin Resources, LLC).

UBR owns all of the membership interests in CAR (Crown Asphalt Ridge, L.L.C.).

Mineral Rights to Section 32 Portion of South A Tract

The Debtors believe that they may own the mineral rights on property described as SW $\frac{1}{4}$ of Section 32, Township 4 South, Range 21 East, SLM, which is listed as "Tract IV" above and is part of the "South A Tract."

EXHIBIT 2
TO FORM OF SALE NOTICE

EXHIBIT 2 TO FORM SALE NOTICE

ROYALTY INTERESTS

Under the oil, gas, and minerals lease between Uintah Basin Resources, LLC (formerly known as Wembco, Inc.) and Crown Asphalt Ridge (defined in the Auction Motion as the UBR-CAR Lease), an advance/minimum royalty of \$150,000 is due annually. The UBR-CAR Lease provides for production royalties, based on type of mineral extracted. All advance/minimum royalties accrued and are applied as a credit to reduced up to but not to exceed fifty percent of the production royalties that may become due and payable to the lessor (UBR). The Perpetual Seltzer Royalty Interest and the Thirty-Year Non-Participating Royalty Interests (both as defined below) receive 15% and 29%, respectively, of these royalties.

Perpetual Seltzer Royalty Interest. A royalty interest was conveyed by Wembco, Inc. to William Seltzer pursuant to a mineral royalty conveyance dated August 12, 1986 (the "Perpetual Seltzer Royalty Interest") granting a mineral royalty interest on Tracts I, II, and III (as listed in the Property list in Exhibit 1 to the Sale Notice), as follows:

A mineral royalty interest which shall be fifteen percent (15%) of any land owner's royalty under all mineral leases now or hereafter granted by said grantor . . . The royalties shall apply to all minerals of every character, including oil, gas, asphalt, bitumen or any other hydrocarbon substance and metalliferous and precious metal minerals as well as nonmetalliferous minerals of all kinds which are or may be included in any lease and which may occur on the surface of said lands or at any depth under said lands. It is the intent of the parties hereto that the conveyance hereby made shall apply in perpetuity. All lessees of leases to which this royalty attaches are hereby instructed to pay said royalties . . . directly to the named grantee.

The mineral royalty conveyance related to the Perpetual Seltzer Royalty was recorded August 13, 1986, in Book 412, at Page 857, Uintah County Records. The legal effect of his conveyance creates what is termed a perpetual, non-participating royalty interest.

Thirty-Year Non-Participating Royalty Interests. A non-participating mineral royalty interest for a fixed term of thirty years (the "Thirty-Year Non-Participating Royalty Interests") were granted by Wembco, Inc. on August 12, 1986 to Lorin N. Pace, G. Randall Klimt, William B. Parsons, III, and Eric W. Bjorklund on Tracts I, II, and III (as listed in the Property list in Exhibit A to the Auction Motion) pursuant to a mineral royalty conveyance. The specific terms of this grant are as follows:

A mineral royalty interest for a term of thirty years (30) years which shall be twenty-nine percent (29%) of any land owner's

royalty under all mineral leases by said grantor. . . . Grantor expressly reserves and excepts the executive right to lease ... [the] lands. Grantor acknowledges that it owes a fiduciary duty to grantee in exercising it's executive right. In the event that grantor shall not lease all or any portion of such lands but shall exploit the same, the royalties payable hereunder shall be calculated as if grantor had entered into a lease as provided herein The above royalties shall apply to all minerals of every kind and character, including oil, gas, asphalt, bitumen or any other hydrocarbon substance and metalliferous and precious metal minerals as well as nonmetalliferous minerals of all kinds which are or may be included in any lease and which may occur on the surface of said lands or at any depth under said lands. It is the intent of the parties hereto that the thirty (30) year term shall expire at midnight on April 12, 2016. All lessees of leases to which this royalty attaches are hereby instructed to pay said royalties herein assigned and conveyed directly to the named grantee.

The mineral royalty conveyance related to the Thirty-Year Non-Participating Royalty Interests was recorded December 9, 1986, in Book 420, Page 185, Uintah County Records. The Thirty-Year Non-Participating Royalty Interest created by this conveyance burdens the land for a term of thirty years, irrespective of the issuance of a mineral lease, and equates to 29% of the lessor's leasehold royalty interest, expense free.

Production Payment Conveyance to Raven Mining Company, LLC. On August 15, 2006, Wcmbo, Inc. executed a conveyance of payment out of production (the "Raven Production Payment Conveyance"), purporting to grant to Nathan M. Shippee a payment out of production ("production payment") of 2% of net returns for all minerals mined, removed, and sold from the subject lands (Tracts I, II, III as listed in the list of Property in Exhibit 1 to the Sale Notice). The term "net returns" is specifically defined in Exhibit "A" to the Conveyance, but basically means the market value of the minerals less the extraction taxes and the costs of mining, transporting, and processing the minerals. Under Exhibit "B" to the Conveyance, the term minerals includes any and all asphalt, bitumen, maltha, tar sands, oil, gas and all other minerals including gold, silver, platinum, sands, and clays. The Raven Production Payment Conveyance was recorded September 12, 2006, in Book 993, at Page 73. Nathan M. Shippee assigned all his right, title, and interest in the Raven Production Payment Conveyance to Raven Mining Company, LLC on April 24, 2008. The assignment was recorded on May 5, 2008, in Book 1089, Page 88, Uintah County Records.

The Raven Production Payment Conveyance is secured by a deed of trust dated August 15, 2006, which was recorded September 12, 2006, in Book 79, at Page 81, Uintah County Records. If Raven Mining Company, LLC credit bids at the Auction or if another party satisfies amounts owing to Raven Mining Company, LLC under the Raven Production Payment Conveyance, this interest will be satisfied.

EXHIBIT 3
TO FORM OF SALE NOTICE

EXHIBIT 3 TO FORM SALE NOTICE

UNEXPIRED LEASES AND EXECUTORY CONTRACTS

SITLA Lease. That certain Industrial Special Use Lease Agreement No. 1363 between Crown Asphalt Ridge, L.L.C. ("CAR") and the State of Utah acting by and through the School and Institutional Trust Lands Administration ("SITLA") (the "SITLA Lease") pursuant to which CAR leased real property from SITLA on which certain portions of its mining facilities are constructed. The Debtors are unaware of any cure amounts due under the SITLA Lease.

UBR-CAR Lease. That certain Oil, Gas and Minerals Lease dated May 1, 2008 between Uintah Basis Resources, LLC, as lessor, and CAR, as lessee (the "UBR-CAR Lease") pursuant to which the mining property of UBR, as owner, was leased to CAR, as operator. The Debtors are aware of no cure amounts due under the UBR-CAR Lease.

EXHIBIT D

EXHIBIT D TO AUCTION MOTION

UNEXPIRED LEASES AND EXECUTORY CONTRACTS

SITLA Lease. That certain Industrial Special Use Lease Agreement No. 1363 between Crown Asphalt Ridge, L.L.C. ("CAR") and the State of Utah acting by and through the School and Institutional Trust Lands Administration ("SITLA") (the "SITLA Lease") pursuant to which CAR leased real property from SITLA on which certain portions of its mining facilities are constructed. The Debtors are unaware of any cure amounts due under the SITLA Lease.

UBR-CAR Lease. That certain Oil, Gas and Minerals Lease dated May 1, 2008 between Uintah Basis Resources, LLC, as lessor, and CAR, as lessee (the "UBR-CAR Lease") pursuant to which the mining property of UBR, as owner, was leased to CAR, as operator. The Debtors are aware of no cure amounts due under the UBR-CAR Lease.